

Fixed Assets Accounting

Why Fixed Assets Accounting?

- The Department of Accounts prepares the Comprehensive Annual Financial Report (CAFR) of the Commonwealth annually. GASB 34 increased the importance of fixed asset information in the CAFR.
- The Auditor of Public Accounts audits the CAFR.
- FAACS (Fixed Asset Accounting and Control System) information is also used for agency financial statements

Purpose of FAACS

FAACS is the Commonwealth's Fixed Asset Accounting and Control System. It is a web-enabled system with two purposes:

- Accounting
- Control

Accounting

- It is important to enter accurate information into FAACS data fields.
- As the old saying goes, "Garbage in, garbage out."
- FAACS can be very useful if it has correct, complete, and current data.

Accounting

- Virginia's CAFR must report historical asset costs, accumulated depreciation, and depreciation expense in accord with generally accepted accounting principles.
- For the CAFR to "present fairly" Virginia's financial position and results of operations, accurate data must appear in FAACS accounting, financial, and other data fields.

Accounting – Data Elements

87 data elements are available in FAACS for each asset. About 19 are required. Some are:

- Funding amount (historical cost)
- Acquisition date
- Salvage value (zero is a valid value)
- Useful life (designated by a nomenclature code)

Accounting – Data Elements

- Generally Accepted Accounting Principles (GAAP) require that assets be valued at historical cost.
- Usually, this is what you paid to buy the asset plus any related costs required to install the asset, in place and functioning properly.

Accounting – Data Elements

- Acquisition date, useful life, and salvage value must be accurate for the system to properly calculate depreciation.
- There are numerous nomenclature codes. These 11-digit codes are required for all assets in FAACS.
- DOA can add new nomenclature codes if necessary.

Accounting – Data Elements

- In the past, salvage value was an optional data element. Now, it is required.
- Zero is an allowable salvage value.
- Agencies usually dispose of some types of assets (such as motor vehicles) by auction. Assets of these types should have reasonable salvage values.

Accounting – Documentation

- Accounting information should be based on source documents.
- The voucher that represents payment for the asset is the primary source document.
- This confirms how much was paid for the asset (historical cost).
- Keep copies of vouchers and other related documents to provide an audit trail.

Accounting – Reports

- Reports for accounting and financial reporting come from the Financial Reporting File.
- These include the FAC 730, 736, 751 and 767 reports.

Accounting - Reconciliations

- Reconciliations should be done to ensure that accurate data was entered.
- Agencies must certify reconciliation of FAACS to source documents and to CARS on the monthly Exception Register that is submitted to General Accounting.

Accounting – Analysis

- A fluctuation analysis is a useful tool for finding errors in FAACS data.
- Compare fixed asset general ledger balances, acquisitions, and disposals for a period, such as a fiscal year.
- Material changes should be explainable.

Internal Control

Internal Control relates to asset stewardship and management. Responsibilities include:

- Tagging
- Recording
- Assigning responsibility
- Performing physical inventory counts
- Reconciling records to FAACS

Internal Control – Managing Assets

Important data elements:

- Location – include FIPS and Building ID
- Responsible person
- Organization Code
- Description

Internal Control – Managing Assets

- Think about the importance of accurate location and descriptive information for taking a physical inventory.
- For a large agency, accurate classification by organization code would be helpful.
- Directly assigned responsibility for missing items is important.

Internal Control – Reports

- Reports for control purposes come from the master file which contains a detailed record for each asset.
- Useful reports include the “Master File Snapshot” and the “Summarized Master File Presentation.”

FAACS Master File Downloads

- Agencies can download their FAACS master file into Excel or Access.
- Agencies can then sort, filter, and otherwise manipulate master file data to produce any report format desired.

References

- CAPP Manual Topics

- 30105, Introduction to Fixed Asset Accounting

http://www.doa.virginia.gov/Admin_Services/CAPP/CAPP_Topics/30105.pdf

- DOA Directives

- 2005 Financial Statement Directives

http://www.doa.virginia.gov/Financial_Reporting/Directives/Directives_Main.cfm

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